

**CADILLAC-WEXFORD PUBLIC LIBRARY**

**(A Component Unit of Wexford County)**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary information)**

**YEAR ENDED DECEMBER 31, 2004**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Cadillac-Wexford Public Library</b>	County <b>Wexford</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>1/19/05</b>	Date Accountant Report Submitted to State: <b>3/1/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter &amp; Bishop, P.C.</b>			
Street Address <b>134 W. Harris Street</b>	City <b>Cadillac</b>	State <b>MI</b>	ZIP <b>49601</b>
Accountant Signature 		Date <b>3/1/05</b>	

CADILLAC-WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2004

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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

January 19, 2005

INDEPENDENT AUDITORS' REPORT

To The Members of the Board  
Cadillac-Wexford Public Library  
(A Component Unit of Wexford County)  
Cadillac, Michigan

We have audited the accompanying basic financial statements of Cadillac-Wexford Public Library, Cadillac, Michigan, as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Cadillac-Wexford Public Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Cadillac-Wexford Public Library as of December 31, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-7 and budgetary comparison information on page 25 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

CADILLAC-WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2004

Cadillac-Wexford Public Library, a Public Library located in Wexford County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Cadillac-Wexford Public Library's administration's discussion and analysis of the financial results for the fiscal year ended December 31, 2004, along with specific comparative information as required.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: Fund financial statements and government-wide financial statements.

**A. Fund Financial Statements**

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

**B. Government-wide Financial Statements**

The government-wide financial statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Library's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

CADILLAC-WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2004

**C. Summary of Net Assets**

The following schedule summarizes the net assets at December 31:

	2004	2003
<b>Assets</b>		
Current Assets	\$ 1,071,891	\$ 1,086,362
Non Current Assets		
Capital Assets	\$ 2,495,703	\$ 2,313,690
Less Accumulated Depreciation	(1,892,934)	(1,750,725)
Total Non Current Assets	\$ 602,769	\$ 562,965
Total Assets	\$ 1,674,660	\$ 1,649,327
<b>Liabilities</b>		
Current Liabilities	\$ 46,121	\$ 27,045
Non Current Liabilities	105,971	66,653
Total Liabilities	\$ 152,092	\$ 93,698
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	\$ 539,231	\$ 557,214
Restricted for Tustin Public Library	12,671	13,844
Unrestricted	970,666	984,571
Total Net Assets	\$ 1,522,568	\$ 1,555,629

CADILLAC-WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2004

**D. Analysis of Financial Position**

During the fiscal year ended December 31, 2004, the Library's net assets decreased by \$33,061. A few of the more significant factors affecting net assets during the year are discussed below:

**1. Depreciation Expense**

GASB 34 requires Libraries to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended December 31, 2004, \$186,748 was recorded for depreciation expense.

**2. Capitalized Acquisitions**

For the fiscal year ended December 31, 2004, \$240,090 of expenditures were capitalized and recorded as assets of the Library. These additions to the Library's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, current year disposals and the current year's depreciation is an increase to capital assets in the amount of \$39,804 for the fiscal year ended December 31, 2004.

CADILLAC-WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2004

**E. Results of Operations**

For the fiscal year ended December 31, 2004, the results of operations were:

	2004		2003	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property Taxes	\$ 564,413	67.63	\$ 546,009	60.16
Investment Earnings	6,568	0.79	7,545	0.83
State Sources	256,286	30.71	323,151	35.60
Other	586	0.07	21,493	2.37
Total General Revenues	<u>\$ 827,853</u>	<u>99.20</u>	<u>\$ 898,198</u>	<u>98.96</u>
<b>Program Revenues</b>				
Charges for Services	\$ 4,560	0.54	\$ 5,003	0.55
Operating Grants	2,180	0.26	4,460	0.49
Total Program Revenues	<u>\$ 6,740</u>	<u>0.80</u>	<u>\$ 9,463</u>	<u>1.04</u>
Total Revenues	<u>\$ 834,593</u>	<u>100.00</u>	<u>\$ 907,661</u>	<u>100.00</u>
<b>Expenses</b>				
General Government	<u>\$ 867,654</u>	<u>100.00</u>	<u>\$ 839,048</u>	<u>100.00</u>
Change in Net Assets	<u>\$ (33,061)</u>		<u>\$ 68,613</u>	

**F. Analysis of Significant Revenues and Expenses**

Significant revenues and expenses are discussed in the segments below:



CADILLAC-WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2004

**1. Property Taxes**

The Library levies .6838 mills of property taxes for operations.

For 2004, the Library recognized \$564,413 of property tax revenue.

**2. State Sources**

The majority of the state sources is comprised of penal fines received from Wexford and Osceola Counties. The Library collected \$223,487 in penal fines for 2004.

**3. Operating Grants**

The Library funds a portion of its operations with grants. For the fiscal year ended December 31, 2004, federal, state, and other grants accounted for \$34,979.

**G. General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on January 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on December 31.

For 2004, the Library amended the general fund budget in December 2004. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Total Revenues	\$ 901,300	\$ 810,000	\$ 818,212	\$ 8,212
Total Expenditures	(923,504)	(895,250)	(925,053)	(29,803)
Other Financial Sources (Uses)	0	0	62,140	62,140
Total	\$ (22,204)	\$ (85,250)	\$ (44,701)	\$ 40,549

CADILLAC-WEXFORD PUBLIC LIBRARY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2004

The variance in the Total Revenue Original Budget to Final Budget was a decrease of \$91,300. The variance in the Total Expenditures Original Budget to Final Budget was a decrease of \$28,254.

**H. Capital Asset**

**1. Capital Assets**

At December 31, 2004, the Library had \$2,495,703 in capital assets, including leasehold improvements and equipment, furniture and fixtures, as well as books. Depreciation expense for the year amounted to \$186,748 bringing the accumulated depreciation to \$1,892,934 as of December 31, 2004.

**I. Factors Bearing on the Library's Future**

At the time that these financial statements were prepared and audited, the Library was aware of the following items that could significantly affect its financial health in the future:

A significant portion of the Library's funding comes from property taxes and penal fines, any impairment to these funding sources would greatly impact the future of the Library.

**J. Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report, please contact the Cadillac-Wexford Public Library, 411 S Lake Street, Cadillac, MI 49601.

CADILLAC WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

ASSETS

CURRENT ASSETS

Cash	\$ 97,955
Investments	349,858
Taxes Receivable	581,025
Due From Other Government	40,801
Prepaid Expenses	2,252
Total Current Assets	<u>1,071,891</u>

NON CURRENT ASSETS

Capital Assets	2,495,703
Less Accumulated Depreciation	<u>(1,892,934)</u>
Total Non Current Assets	<u>602,769</u>
TOTAL ASSETS	<u>\$ 1,674,660</u>

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 6,475
Accrued Wages	13,006
Deferred Revenue	5,000
Current Portion of Long Term Debt	<u>21,640</u>
Total Current Liabilities	<u>46,121</u>

NON CURRENT LIABILITIES

Compensated Absences	64,073
Capital Lease Payable	63,538
Less: Current Portion	<u>(21,640)</u>
Total Non Current Liabilities	<u>105,971</u>

Total Liabilities	<u>\$ 152,092</u>
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NET ASSETS

Invested in Capital Assets Net of Related Debt	539,231
Restricted For Tustin Public Library	12,671
Unrestricted	<u>970,666</u>
Total Net Assets	<u>\$ 1,522,568</u>

The notes to the financial statements are an integral part of this statement.

CADILLAC WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2004

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR	GRANTS	ACTIVITIES
		SERVICES		NET (EXPENSE)
				REVENUE AND
				CHANGES IN
				NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
General Government	\$ 867,654	\$ 4,560	\$ 2,180	\$ (860,914)
<u>GENERAL REVENUES</u>				
Property Taxes -General Purposes				564,413
Investment Earnings				6,568
State Sources				256,286
Gain (Loss) on Disposal of Capital Assets				(13,538)
Other				14,124
Total General Revenues				827,853
Change in Net Assets				(33,061)
<u>NET ASSETS - Beginning of Year</u>				1,555,629
<u>NET ASSETS - End of Year</u>				\$ 1,522,568

The notes to the financial statements are an integral part of this statement.

CADILLAC-WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

GENERAL FUND  
BALANCE SHEET

YEAR ENDED DECEMBER 31, 2004

ASSETS

Cash	\$ 97,955
Investments	349,858
Receivables	
Taxes	581,025
Due from Other Governments	
Mid-Michigan Library League	40,801
Prepaid Expenses	<u>2,252</u>
 TOTAL ASSETS	 <u>\$ 1,071,891</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 6,475
Accrued Wages	13,006
Deferred Revenue	<u>586,025</u>
 Total Liabilities	 <u>\$ 605,506</u>

FUND BALANCE

Reserved for Tustin Public Library:	\$ 12,671
Unreserved	
Designated for:	
Memorials	35,354
Sick and Vacation	30,000
Building Maintenance	150,000
Improvements and Expansion	100,000
Retirement	32,000
Equipment Upgrades	20,000
Undesignated	<u>86,360</u>
 Total Fund Balance	 <u>\$ 466,385</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,071,891</u>

The notes to the financial statements are an integral part of this statement.

CADILLAC-WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GENERAL FUND TO NET ASSETS

DECEMBER 31, 2004

Total General Fund Balance		\$ 466,385
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is	2,495,703	
Accumulated depreciation is	<u>(1,892,934)</u>	602,769
Other assets are not available to pay for current period expenditures and therefore are not reported in the funds		
Taxes Receivable		581,025
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Capital Lease Payable		(63,538)
Compensated Absences		<u>(64,073)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,522,568</u>

The notes to the financial statements are an integral part of this statement.

CADILLAC-WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEAR ENDED DECEMBER 31, 2004

REVENUES

Taxes

Wexford County

Current Property Tax \$ 495,792

Industrial Facilities Tax 9,165

Osceola County

Current Property Tax 29,537

State Grants

Library State Aid 32,799

Library Penal Fines

Wexford County 206,916

Osceola County 16,571

Charges for Services

Copy Machine Receipts 4,560

Fines and Forfeits

Library Book Fines 10,931

Interest and Rents

Interest 6,568

Rentals 1,800

Other Revenues

Reed Act/Gates Foundation Grant 1,980

Arbor Day Mini Grant 200

Contributions and Donations from Private Sources 370

Refunds and Rebates 1,023

Total Revenues \$ 818,212

EXPENDITURES

Culture and Recreation

Personal Services

Salaries and Wages

Tustin Library \$ 28,440

Cadillac-Wexford Public Library 389,476

Employee Benefits

Payroll Taxes

Tustin Library 2,176

Cadillac-Wexford Public Library 29,768

The notes to the financial statements are an integral part of this statement.

CADILLAC-WEXFORD PUBLIC LIBRARY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEAR ENDED DECEMBER 31, 2004

Fringe Benefits	
Tustin Library	6,492
Cadillac-Wexford Public Library	63,681
Supplies	
Tustin Library	1,003
Cadillac-Wexford Public Library	27,881
Other Services and Charges	
Audit	4,885
Data Processing	5,733
Consulting Services	6,000
Insurance	
Cadillac-Wexford Public Library	9,587
Telephone	
Tustin Library	1,991
Cadillac-Wexford Public Library	20,793
Board of Directors	2,926
Travel and Education	3,858
Dues, Publications, and Fees	2,267
Utilities	17,996
Repair and Maintenance	27,366
Rental Expense	11,626
State Aid - Membership	14,308
Computer Software	6,286
Capital Outlay	
Equipment	
Cadillac-Wexford Public Library	102,512
Books	
Tustin Library	7,039
Cadillac-Wexford Public Library	130,539
Miscellaneous Expense	424
Total Expenditures	<u>\$ 925,053</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (106,841)
<u>OTHER FINANCING SOURCES (USES)</u>	
Capital Lease Proceeds	<u>\$ 62,140</u>
Net Change in Fund Balance	\$ (44,701)
<u>FUND BALANCE - Beginning of Year</u>	<u>511,086</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 466,385</u>

The notes to the financial statements are an integral part of this statement.



CADILLAC-WEXFORD PUBLIC LIBRARY  
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CADILLAC, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF THE GENERAL FUND TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2004

Net change in General Fund Balance	\$ (44,701)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(186,748)
Capital Outlay	240,090
Repayments of principal on long term debt is an expenditure in the general fund, but not in the statement of activities (where it is a reduction of liabilities).	4,353
In the statement of activities, only the gain or loss on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balances by the cost of the fixed assets sold net of accumulated depreciation.	(13,538)
Capital lease proceeds are shown as an other financing source in the general fund, but not in the statement of activities (where it is a liability).	(62,140)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Taxes Included in Deferred Revenue - Beginning of Year	(551,106)
Taxes Included in Deferred Revenue - End of Year	581,025
Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental	
Compensated Absences - Beginning of Year	63,777
Compensated Absences - End of Year	(64,073)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (33,061)</u>

The notes to the financial statements are an integral part of this statement.

CADILLAC-WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Cadillac-Wexford Public Library have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Library has implemented the provisions of Statement No. 34 effective January 1, 2003.

**A. Reporting Entity**

The Cadillac-Wexford Public Library provides library services to the Wexford County area from its facilities located in Cadillac. The Library is also responsible for operating the Tustin and Mesick Libraries, along with providing salaries and fringe benefits to the Manton and Buckley Libraries. The Library board consists of ten members, four of whom are appointed by the City of Cadillac and six who are appointed by Wexford County. As such, the Library is considered to be a component unit of Wexford County.

**B. Government-wide and Fund Financial Statements**

For the year 2003, the Library adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

CADILLAC-WEXFORD PUBLIC LIBRARY  
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CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Library as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Library only has a governmental fund called the General Fund.

CADILLAC-WEXFORD PUBLIC LIBRARY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Library are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

Governmental funds include the following fund type:

The General Fund is the primary operating fund of the Library. It is used to account for all financial resources of the Library.

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CADILLAC, MICHIGAN

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**D. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The Library Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- i. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- ii. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Cadillac-Wexford Public Library at the Authority's organizational meeting after each regular election of members.
- iii. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- iv. Repurchase agreements consisting of instruments listed in (i).
- v. Banker's acceptances of United States banks.
- vi. Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than one standard rating service.
- vii. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789 15 U.S.C. 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Authority. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- viii. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.512.
- ix. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.118.

**2. Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Books	7 years
Furniture and Fixtures	10 years
Equipment	5 years
Leasehold Improvements	20 years

The Library's policy is to capitalize all books plus individual amounts exceeding \$500 for computer equipment and \$1,000 for all other items.

3. Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused sick pay benefits. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

6. Fund Balance

In the financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. **Budgetary Information**

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Director of the Library annually prepares an operating budget taking into consideration the recommendations of the board. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is approved by the Library board prior to the start of the fiscal year which it covers.
3. All transfers of budget amounts between accounts within the General Fund must be approved by the Library board.
4. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Library board. One budget amendment was made during the year.
5. Budget appropriations lapse at the end of the fiscal year.
6. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Library because, at present, it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON GENERAL FUND AND ACCOUNT GROUP

A. **Deposits and Investments**

At year end, the carrying amount of the government's deposits was \$447,813 and the bank balance was \$440,328 of which \$170,670 was covered by Federal Depository Insurance and \$269,658 was uninsured and uncollateralized. Included in deposits of \$447,813 are money market accounts in the

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amount of \$145,031 and certificates of deposit in the amount of \$204,827. These deposits are classified as investments.

**B. Due from Other Governments**

Amounts due from other governments of \$40,801 are comprised of reimbursements from the Mid-Michigan Library League for wages and fringe benefits.

**C. Capital Assets**

A summary of changes in the Library's capital assets follows:

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
Capital assets:				
Books	\$ 1,984,293	\$ 137,577	\$ 13,078	\$ 2,108,792
Furniture and Fixtures	195,195	7,598	0	202,793
Equipment	132,616	94,915	44,999	182,532
Leasehold Improvements	1,586	0	0	1,586
Subtotal	\$ 2,313,690	\$ 240,090	\$ 58,077	\$ 2,495,703
Accumulated depreciation	(1,750,725)	(186,748)	(44,539)	(1,892,934)
Net capital assets	\$ 562,965	\$ 53,342	\$ 13,538	\$ 602,769

Depreciation for the fiscal year ended December 31, 2004 amounted to \$186,748.

**D. Property Taxes and Deferred Revenue**

The Library receives revenue from a countywide library millage on the December tax roll. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended December 31, 2004, the Library levied the following amount per \$1,000 of taxable valuation.

<u>PURPOSE</u>	<u>MILLS</u>
Operating	\$.6838/\$1,000



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Substantially all of the taxes raised by this millage are not received by the Library until the following year.

**E. Debt**

A summary of the Debt transactions for the Library for the year ended December 31, 2004, is as follows:

	<u>CAPITAL LEASE</u>	<u>COMPENSATED ABSENCES</u>
Debt at January 1, 2004	\$ 5,750	\$ 63,777
New Liabilities	62,141	296
Liabilities Retired	<u>(4,353)</u>	<u>0</u>
Total Debt	63,538	64,073
Less Amounts Classified as Current	<u>(21,640)</u>	<u>0</u>
Long-Term Debt at December 31, 2004	\$ <u>41,898</u>	\$ <u>64,073</u>

At December 31, 2004, the Library's Debt consisted of the following:

Capital Lease Payable – Due in monthly installments of \$2,018 through November 2007, interest rate 10.43%	\$ 60,663
Capital Lease Payable – Due in monthly installments of \$240 through December 2005, interest rate 0%	2,875
Compensated Absences	<u>64,073</u>
<b>TOTAL DEBT</b>	<b>\$ <u>127,611</u></b>

The annual requirements to amortize all debt outstanding as of December 31, 2004, including interest payments of \$9,955 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2005	\$ 21,640	\$ 5,447	\$ 27,087
2006	20,819	3,393	24,212
2007	<u>21,079</u>	<u>1,115</u>	<u>22,194</u>
	\$ 63,538	\$ 9,955	\$ 73,493
Less: Interest			<u>(9,955)</u>
Compensated Absences			\$ 63,538
			<u>64,073</u>
<b>TOTAL DEBT</b>			<b>\$ <u>127,611</u></b>

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The annual requirement to amortize the accrued compensated absences is uncertain because it is unknown when the employees will use the leave.

**F. Compensated Absences Liability**

Employees of the Library are entitled to paid vacation and paid sick days depending on job classification, length of service and other factors. At December 31, 2004, the accrued expense for compensated absences was \$64,073.

**G. Fund Balance Reserved and Designated**

Fund Balance Designated for Memorials accounts for gifts to the library. Sometimes the donor of a gift designates that the money be spent on a particular item, others do not assign an expenditure to their gift. Gifts not held for a particular purpose are used for library improvement.

Fund Balance Reserved for Tustin accounts for the portion of fund balance created by Tustin Library related revenues in excess of expenditures.

**IV. OTHER INFORMATION**

**A. Building Leases**

The building in which the Library is located is owned by the City of Cadillac. The City leases the building to the Library at a cost of \$1 a year. The Mesick facility is located in a building owned by Springfield Township and is leased at \$150 per month on a year-to-year basis.

**B. Equipment Leases**

Operating Lease – The Library leases a copier under a noncancelable operating lease. The total cost for the lease was \$2,051 for the year ended December 31, 2004. The future minimum lease payments are as follows:

Year Ending December 31,

2005	\$	2,051
2006		<u>171</u>
	\$	<u><u>2,222</u></u>

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Capital Lease - The Library has entered into two lease agreements as lessee for financing the acquisition of computer and copy machine equipment. A \$1 purchase option exists at the end of the leases. These leases qualify as capital leases for accounting purposes.

The future minimum lease obligations of these minimum lease payments as of December 31, 2004 are as follows:

Year Ending December 31,		
2005	\$	27,087
2006		24,212
2007		<u>22,194</u>
Total minimum lease payments	\$	<u>73,493</u>

**C. Retirement Commitments**

The Library's employees are participants in the Michigan Municipal Employees Retirement System (MERS) through the City of Cadillac. This is an agent multiple-employer defined benefit pension plan administered by the State of Michigan. Separate information on funding status and progress for the Library's employees is not available. Complete pension disclosures for the entire plan can be found in the comprehensive annual financial report of the City of Cadillac. Copies of the report are available at the Cadillac Municipal Complex and the Cadillac-Wexford Public Library.

**D. Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Library participates in two distinct pools of municipalities within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The Library pays annual premiums to each pool for the respective insurance coverage. In the event a pool member's covered loss exceeds the pools limits, all further payments become the sole obligation of the member. The Library has not been notified of any shortfalls in the pools for the current or previous three years.

**E. Collections of Works of Art and Historical Treasures**

The Library, over the years, has received contributions from patrons for such items as butterfly collections and rare books. The Library considers these items to be of an intangible nature, and is unable to place a cost on the items. Therefore, the items are not shown on these financial statements, and accordingly, no depreciation expense has been recorded on these items.

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REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED DECEMBER 31, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Taxes	\$ 549,400	\$ 524,500	\$ 534,494	\$ 9,994
State Grants	324,800	260,400	256,286	(4,114)
Charges For Services	7,000	5,600	4,560	(1,040)
Fines and Forfeits	8,000	10,400	10,931	531
Interest and Rents	10,600	8,800	8,368	(432)
Other Revenues	1,500	300	3,573	3,273
Total Revenues	\$ 901,300	\$ 810,000	\$ 818,212	\$ 8,212
<b>EXPENDITURES</b>				
Culture and Recreation				
Personal Services	\$ 564,954	\$ 527,000	\$ 520,033	\$ 6,967
Supplies	20,000	30,000	28,884	1,116
Other Services and Charges	150,550	179,850	136,046	43,804
Capital Outlay	188,000	158,400	240,090	(81,690)
Total Expenditures	\$ 923,504	\$ 895,250	\$ 925,053	\$ (29,803)
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,204)	\$ (85,250)	\$ (106,841)	\$ (21,591)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Capital Lease Proceeds	\$ 0	\$ 0	\$ 62,140	\$ 62,140
Net Change in Fund Balance	\$ (22,204)	\$ (85,250)	\$ (44,701)	\$ 40,549
<b><u>FUND BALANCE</u></b> - Beginning of Year	369,312	371,542	511,086	139,544
<b><u>FUND BALANCE</u></b> - End of Year	\$ 347,108	\$ 286,292	\$ 466,385	\$ 180,093

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1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

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SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

January 19, 2005

LETTER OF REPORTABLE CONDITIONS

Cadillac-Wexford Public Library  
Cadillac, Michigan

In planning and performing our audit of the general-purpose financial statements of the Cadillac-Wexford Public Library for the year ended December 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

1. The relatively small number of people involved in the accounting functions of the Library make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is a material weaknesses.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

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# *Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

January 19, 2005

Cadillac-Wexford Public Library  
Cadillac, Michigan

Dear Members of the Board:

During our examination of the financial statements of the Cadillac-Wexford Public Library for the year ended December 31, 2004, we noted the following items which we believe should be considered for adoption into the management and accounting procedures of the Library:

## Budget

The General Fund total expenditures did exceed total appropriations for the year. According to the Budget Manual for Local Units of Government, the budget must be amended when necessary. The amendment must be approved by the Board prior to the expenditure being made. This is not only a requirement of P.A. 621, but also a requirement of sound budgeting theory. The purpose of a budget is not only to approve expenditures but also to control expenditures.

As indicated in P.A. 621, the legislative body may permit the chief administrative officer to execute transfers within limits between appropriations. If the Board allows transfers, the permission and limits for such transfers must be indicated in the appropriations act (budget resolution). Allowing such transfers might eliminate the necessity for budget amendments for miscellaneous and insignificant amounts.

Capital outlay was under budgeted this year mainly because your lease of computers is considered a capital lease. When recording a capital lease, you must expense the total cost in the year the lease is signed, which caused the expense to be quite a bit higher than budgeted. Overall, the Library did a better job of monitoring the budget this year.

## Separation from Mid-Michigan Library League

During the fiscal year, the Library League moved their physical location out of the Cadillac-Wexford Public Library. Currently anything the League owes the Library will be invoiced by the Library. By ending the arrangement, internal controls for both organizations are strengthened.

We wish to take this opportunity to thank the Board for awarding this firm the audit assignment of the Library, and the management for their assistance in helping us fulfill this audit assignment. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit, please feel free to contact us.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*